Financial Statements

The Niagara Parks Commission

2011

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THE NIAGARA PARKS COMMISSION

MANAGEMENT REPORT
October 31, 2011

The Management of The Niagara Parks Commission are responsible for the financial statements and all other information presented in these statements. The statements have been prepared by management in accordance with the framework identified in Note 2 in the accompanying audited financial statements.

The financial statements include amounts based on best estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the statements are presented fairly, in all material respects.

Management maintains a system of internal accounting and administrative control that is designed to provide reasonable assurance that the financial information is relevant, reliable, accurate and that the Commission's assets are properly accounted for and adequately safeguarded.

The Board of The Niagara Parks Commission is responsible for gaining assurance that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Board, through the Audit and Finance Committee, meets periodically with Management to discuss financial results, auditing matters, financial reporting issues and to satisfy itself that each group is properly discharging responsibilities. The Committee reviews the financial statements before recommending approval by the Board.

The Financial statements have been audited by Grant Thornton LLP, the Commission's appointed External Auditor and in accordance with Canadian generally accepted auditing standards on behalf of the Commission, Minister of Tourism, Culture and Sport and the Provincial Auditor General. Grant Thornton LLP had direct and full access to all Commission records as well as full access to the Audit and Finance Committee with and without the presence of management to discuss their audit and findings as to the integrity of the Commission's financial reporting.

Fay Booker
General Manager

January 26, 2012

Margaret Neubauer, Director
Corporate Services &
Governance Support
January 26, 2012

Grant Thornton

Independent auditor's report

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To The Niagara Parks Commission,
the Minister of Tourism, Culture and Sport and the Auditor General

We have audited the accompanying financial statements of The Niagara Parks Commission, which comprise the statement of financial position as at October 31, 2011 and October 31, 2010, and the statements of operations, changes in net debt and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management in accordance with the basis of accounting described in Note 2 to the financial statements.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Grant Thornton

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of The Niagara Parks Commission as at October 31, 2011 and October 31, 2010, and the results of its operations, changes in net debt and cash flows for the years then ended in accordance with the basis of accounting described in Note 2 to the financial statements.

Basis of accounting
Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that basis of accounting. The financial statements are prepared to assist The Niagara Parks Commission to comply with the financial reporting provisions in the Province of Ontario Ministry of Tourism Memorandum of Understanding and Regulation 395/11 to the Ontario Financial Administration Act. As a result, the financial statements may not be suitable for another purpose.

Other matter
Without modifying our report we draw attention to the budget figures which are provided for comparative purposes only. They have not been subject to audit procedures. Accordingly, we do not express an opinion on the budget figures.

Grant Thornton LLP

Port Colborne, Canada
February 15, 2012

Chartered Accountants
Licensed Public Accountants

The Niagara Parks Commission
Statement of Financial Position

As at October 31 (in thousands of dollars)	2011	2010
Financial assets		
Cash and cash equivalents	$ 3,178	$ 6,502
Accounts receivable	3,805	3,208
Inventories – saleable	4,177	5,135
	11,160	14,845
Liabilities		
Accounts payable	6,015	6,088
Accrued payroll	2,383	2,070
Deferred revenue (Note 4)	1,571	2,186
Deferred capital funding (Note 5)	8,902	1,349
Long term financing (Note 6)	34,956	36,346
Post-employment benefits (Note 7)	3,869	3,759
Power Plant stabilization obligation (Note 8)	26,859	26,727
	84,555	78,525
Net debt	(73,395)	(63,680)
Non-financial assets		
Tangible capital assets (Note 9)	153,578	150,370
Inventories – other	1,595	1,426
Prepaid expenses	155	487
	155,328	152,283
Accumulated surplus (Note 10)	$ 81,933	$ 88,603

Commitments and contingencies (Notes 12 and 13)

On behalf of the Commission

Janice Thomson
Chair

Commissioner

See accompanying notes to the financial statements.

The Niagara Parks Commission
Statement of Operations
For the Year Ended October 31, 2011
(in thousands of dollars)

	Budget 2011 (Unaudited)	Actual 2011	Actual 2010
Revenues			
Revenue producing operations	$ 65,857	$ 60,341	$ 62,546
Land rent	6,410	6,461	6,297
Commission, rentals and fees	2,675	2,565	2,655
Premium on United States funds – net	275	(132)	314
Gain on disposal of tangible capital assets		11	2
Sundry revenue	100	167	226
	75,317	69,413	72,040
Expenses (Page 23)			
Revenue producing operations			
Cost of goods sold	10,752	9,917	10,691
Operating	31,315	29,864	30,207
Maintenance	14,052	13,549	12,968
Administrative and police	9,236	9,434	8,753
Marketing and promotion	3,813	3,349	3,588
	69,168	66,113	66,207
Net surplus for the year before undernoted items	6,149	3,300	5,833
Other items			
Interest expense – net (Note 14)	1,831	1,864	1,878
Amortization of tangible capital assets (Note 15)	7,240	7,283	7,501
Amortization of deferred capital funding (Note 5)		(37)	
Non-recurring	398	1,264	195
	9,469	10,374	9,574
Net deficit from operations	(3,320)	(7,074)	(3,741)
Net increase in Power Plant stabilization obligation (Note 8)		(132)	(5,484)
Other capital funding		536	99
Annual deficit	(3,320)	(6,670)	(9,126)
Accumulated surplus			
Beginning of year	88,603	88,603	97,729
End of year	$ 85,283	$ 81,933	$ 88,603

See accompanying notes to the financial statements.

The Niagara Parks Commission
Statement of Changes in Net Debt

For the Year Ended October 31
(in thousands of dollars)

	2011	2010
Annual deficit	$ (6,670)	$ (9,126)
Amortization of tangible capital assets	7,283	7,501
Acquisition of tangible capital assets (Note 17)	(10,491)	(3,462)
Proceeds from the sale of tangible capital assets	11	2
Gain on sale of tangible capital assets - net	(11)	(2)
	(9,878)	(5,087)
Use (acquisition) of prepaid expenses	332	(101)
Use (acquisition) of other inventories	(169)	134
Increase in net debt	(9,715)	(5,054)
Net debt		
Beginning of year	(63,680)	(58,626)
End of year	$ (73,395)	$ (63,680)

See accompanying notes to the financial statements.

The Niagara Parks Commission
Statement of Cash Flows

For the Year Ended October 31
(in thousands of dollars)

	2011	2010
Increase (decrease) in cash and cash equivalents		
Operating activities		
Annual deficit	$ (6,670)	$ (9,126)
Charges against income not requiring an outlay of funds		
Post-employment benefits	372	343
Amortization of tangible capital assets	7,283	7,501
Amortization of deferred capital funding	(37)	
Gain on disposal of tangible capital assets – net	(11)	(2)
Increase in Power Plant stabilization obligation – net	132	5,484
	1,069	4,200
Net change in non-cash working capital balances related to operations (Note 16)	149	(1,953)
	1,218	2,247
Capital activities		
Acquisition of tangible capital assets (Note 17)	(10,491)	(3,462)
Proceeds from the sale of tangible capital assets	11	2
	(10,480)	(3,460)
Financing activities		
Net increase (decrease) in long term financing	(1,390)	4,389
Cash outlay related to post-employment benefits	(262)	(184)
Receipt of capital funding	7,590	1,349
	5,938	5,554
Net (decrease) increase in cash and cash equivalents	(3,324)	4,341
Cash and cash equivalents		
Beginning of year	6,502	2,161
End of year	$ 3,178	$ 6,502

See accompanying notes to the financial statements.

The Niagara Parks Commission
Notes to the Financial Statements
For the Year Ended October 31, 2011

1. Nature of operations

The Niagara Parks Commission (the "Commission") is governed by the Niagara Parks Act. Initially established in 1885, the Commission is an "Operational Enterprise" of the Province of Ontario and is responsible for maintaining, protecting and showcasing over 1,300 hectares of parkland stretching some 56 kilometres along the Niagara River from Lake Erie to Lake Ontario. The Commission is exempt from corporate income taxes under the Income Tax Act (Canada) and Ontario Corporation Tax Act.

The Commission is also classified as an Other Government Organization by the Ministry of Finance and as such, the Commission's audited financial statements are published as part of the Public Accounts.

2. Significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with the financial reporting provisions in the Province of Ontario Ministry of Tourism Memorandum of Understanding and the Regulation 395/11 to the Ontario Financial Administration Act. The significant accounting principles used in the preparation of these financial statements are in line with the accounting standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and Regulation 395/11 to the Ontario Financial Administration Act.

The significant accounting principles used in the preparation of these financial statements are summarized below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with maturities of less than one year.

Inventories

Saleable and other inventories are valued at the lower of average cost and net realizable value.

Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses in the acquisition, construction, development and/or betterment of the asset required to install the asset at the location and in the condition necessary for its intended use. Contributed tangible capital assets are capitalized at their estimated fair value upon acquisition.

The Commission capitalizes an amount of interest as part of the costs of its capital works in progress and financed via long term financing.

Works of art for display in the Commission property are not included as capital assets. The works of art are held for exhibition, educational and historical interest. Such assets are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. No valuation of the collection has been disclosed in the financial statements.

2. Significant accounting policies (continued)

Tangible capital assets (continued)

Leases are classified as capital or operating leases. Leases that transfer substantially all benefits incidental to ownership are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Amortization is calculated on a straight-line basis to write-off the net cost of each asset over its estimated useful life for all classes except land. Land is considered to have an infinite life without amortization. Residual values of assets are assumed to be zero with any net gain or loss arising from the disposal of assets recognized in the Statement of Operations. Amortization is charged on a monthly basis. Assets under construction are not amortized until the asset is available for productive use.

Amortization is based on the following classifications and useful lives:

Classification	Useful Life
Buildings, roadways and structures	7 to 40 years
Equipment and furnishings	3 to 10 years
Vehicles	10 to 12 years

Deferred revenue

Revenue that is restricted by legislation of senior governments or by agreement with external parties are deferred and reported as restricted revenues. When qualifying expenses are incurred, restricted revenues are brought into revenue at equal amounts. Revenues received in advance of expenses that will be incurred in a later period are deferred until they are earned by being matched against those expenses.

Deferred capital funding

Government transfers for capital purposes are recorded as a liability, referred to as deferred capital funding and are recognized into revenue at the same rate as the related tangible capital assets are amortized, in accordance with Regulation 395/11 to the Ontario Financial Administration Act, as disclosed above.

Employee future benefits

The present value of the cost of providing employees with future benefit programs is expensed as employees earn these entitlements.

Revenue recognition

Revenue from gift shops, restaurants and attractions are recognized when merchandise has been transferred to the customer or services have been rendered. Revenue from land rent, commissions, rentals, fees and sundry are recognized over the life of the agreement or when earned.

2. Significant accounting policies (continued)

Foreign currency translation

These financial statements are presented in Canadian dollars. Assets and liabilities denominated in foreign currencies are translated at the exchange rates in effect at the statement of financial position date. Gains and losses on translation are reflected in the annual surplus/deficit.

Use of estimates and measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Two areas in which estimates are used are with regards to post-employment benefits and the Power Plan stabilization obligation.

3. Supplementary information

For the 2011 fiscal year the Commission adopted the basis of accounting described in Note 2 and the following restatements were made to the 2010 comparative figures:

	(in thousands of dollars)
Accumulated surplus, beginning of year	
As previously reported	$ 97,867
Removal of artwork from tangible capital assets	(82)
Removal of non-tangible asset	(56)
As adjusted	$ 97,729
Annual deficit, year ended October 31, 2010	
As previously reported	$ (9,232)
Reporting of other capital funding as revenue	99
Reduction of amortization of non-tangible capital asset	7
As adjusted	$ (9,126)

Opening accumulated surplus for the year ended October 31, 2010 was adjusted for the removal of artwork from tangible capital assets and non-tangible asset and the annual deficit originally reported for the year ended October 31, 2010 was adjusted to report other capital funding as revenue and to reduce the amortization of the non-tangible capital asset.

4. Deferred revenue

	2011	2010
	(in thousands of dollars)	
Defunct power stations (Note 8)	$ 226	$ 507
Sale proceeds related to Fort Erie land transaction	669	1,205
Other	676	474
	$ 1,571	$ 2,186

Fort Erie land transaction obligation

In fiscal 2009, the Commission and the Peace Bridge Authority ("PBA") entered into an agreement to transfer parcels of land. The PBA acquired a 5.952 acre parcel located in Fort Erie from the Commission for $ 2,021,206. The Commission acquired an option for $ 670,000 plus an annual sum of $ 7,300 adjusted for inflation, to receive 1.973 acres of river front property located at the end of Jarvis Street in Fort Erie from the PBA. The agreement calls for the net proceeds to the Commission in the amount of $ 1,351,206 to be spent on a) funding improvements at Old Fort Erie which are intended for the 200th year anniversary of the War of 1812 and b) returning and/or maintaining the Jarvis Street property as parkland.

The net proceeds were recorded as part of deferred revenue on the statement of financial position. To date approximately $ 636,000 from these proceeds have been spent on the capital works project for the renovation of Historic Fort Erie and approximately $ 47,000 has been spent on the Jarvis Street property maintenance. As of October 31, 2011, approximately $ 669,000 remains for use in 2012 and beyond.

5. Deferred capital funding

The Commission secured stimulus grant funding to renovate its heritage sites in the amount of $ 8,939,056 and as of October 31, 2011 all funds were utilized and the projects were complete.

	2011	2010
	(in thousands of dollars)	
Deferred capital funding		
Beginning of year	$ 1,349	$ -
Received during year	7,590	1,349
Amortization	(37)	
End of year	$ 8,902	$ 1,349

6. Long term financing	2011	2010
	(in thousands of dollars)	
Unsecured fixed rate term loan requiring blended payments of principal and interest of $ 2,640,907 per annum, bearing interest at 5.06% through to April, 2027	**$ 28,561**	$ 29,700
Unsecured fixed rate term loan requiring blended first annual payment of $ 543,418 and then payments of $ 569,965 per annum thereafter, bearing interest at 5.07% through to April, 2027	**6,271**	6,500
The Commission had an obligation under capital lease, bearing interest of $ Nil, requiring monthly payments of $ 1,076 to August, 2011, secured by equipment with a net book value of $ 28,295, repaid during year		9
The Commission had an obligation under capital lease, bearing interest of $ Nil, requiring monthly payments of $ 659 to May, 2011, secured by equipment with a net book value of $ 11,856, repaid during year		5
The Commission has an option to purchase land requiring annual payments of $ 7,300 until January, 2028 (Note 3)	**124**	132
	$ 34,956	$ 36,346

The principal payments of the long term financial obligations due in the next five fiscal periods are as follows:

2012	$ 1,455
2013	1,529
2014	1,606
2015	1,687
2016	1,772

7. Post-employment benefits

Defined termination benefits

The Commission provides a defined employee future benefit, payable on termination to certain full time employees with a minimum of five years of service. The benefit is calculated on the basis of one week's remuneration, at the time of termination, for every year of full time service provided to the Commission to a maximum of twenty-six weeks. The accrued benefit liability as at October 31, 2011 is $ 3,869,482 (2010 - $ 3,759,218).

The Commission requires that an actuarial valuation of the post-employment benefits be conducted every three years. The last valuation was completed for the year ending October 31, 2010.

As a result of an actuarial valuation conducted in 2010 for the year ending October 31, 2010, it was determined that an actuarial gain of $ 140,884 existed. The actual obligation as at October 31, 2011 is $ 3,728,598 (2010 - $ 3,618,334). Since the actuarial gain is less than 10% of the actual obligation, no minimum amortization has been recorded for the year.

Defined benefit plan information	2011	2010
	(in thousands of dollars)	
Employee benefit plan assets	$ Nil	$ Nil
Employee benefit plan liabilities	3,869	3,759
Employee benefit plan deficit	$ 3,869	$ 3,759
Benefit obligation recognized on the statement of financial position		
Benefit obligation, beginning of year	$ 3,759	$ 3,600
Expense for the year	372	343
Benefits paid during the year	(262)	(184)
Benefit obligation, end of year	$ 3,869	$ 3,759
The net benefit expense is as follows:		
Current service cost	$ 193	$ 175
Interest cost	179	168
	$ 372	$ 343

The main actuarial assumptions applied in the valuation of the defined benefit plan are as follows:

Interest (discount) rate – the accrued obligation and the expense for the year were determined using a discount rate of 5%.

Salary levels – future salary and wage levels were assumed to increase at 3% per annum.

These assumptions will be reviewed with the next actuarial valuation in fiscal 2013.

7. Post-employment benefits (continued)

Pension benefits

The Commission provides pension benefits for all its permanent employees (and to non-permanent employees who elect to participate) through the Public Service Pension Fund ("PSPF") and the Ontario Public Service Employees' Union Pension Fund ("OPSEU Pension Fund"). These are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU Pension Fund, determines the Commission's annual payments to the funds. As the sponsors are responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Commission. The Commission's annual payments of $ 1,784,726 (2010 - $ 1,776,084), of which $ 892,363 (2010 - $ 888,042) represents the employees' portion, are included in the administrative and police expense on the statement of operations.

The cost of post-employment, non-pension benefits are paid by the Province and therefore are not included in the statement of operations.

8. Power Plant stabilization obligation

The Province of Ontario directed the Commission to accept ownership of three former electricity generating power stations all located within Commission lands.

The Toronto Power Generating Station ("TPGS") and the Ontario Power Generating Station ("OPGS") were transferred by Ontario Power Generation Inc. ("OPG") to the Commission at no cost in August, 2007. As part of the terms of transfer of TPGS and OPGS, OPG was to undertake certain structural and environmental work to ensure that the buildings were no threat to the public. The Canadian Niagara Power Generating Station ("CNPGS") previously owned by Fortis Ontario was transferred April 30, 2009.

The Ministry of Tourism engaged the services of an architectural firm (The Ventin Group Inc.) to ensure that the original Government Directive governing the initial transfer was complied with and to identify work and related costs required to "stabilize and mothball" all the facilities until an ultimate use for the buildings can be determined. The Ventin Group identified the remaining lead paint at the TPGS and OPGS as a deficiency which OPG should have resealed or encapsulated after cleaning. The Ventin Group reported that there are substantial costs required to bring the three power stations to what would be considered a "mothball" state. Therefore, additional costs would be required to bring these buildings to a "development ready" state. Further, there are in existence certain secondary structures related to TPGS and OPGS that were not accounted for in the original Directive that will result in additional remediation costs at some point in the future.

The Commission is of the belief that the acceptance of these Power Generating Stations will require a significant infusion of funds that is beyond its capacity to meet. As at October 31, 2011, ongoing negotiations with the Province have not resulted in any assurance that the Commission will not be responsible for any future costs. Any costs that are expected to be incurred for the purposes described above will not commence without funding received from the Province.

8. Power Plant stabilization obligation (continued)

An asset retirement obligation of $ 25,146,000 as of October 31, 2009 was calculated. This value represented the Commission's best estimate of the costs required to "stabilize and mothball" the three power stations based on the report received from the Ventin Group. The report also identified contingency costs of approximately $ 3,600,000 which was not accrued in the asset retirement obligation at that time. The Commission estimates that this work could take approximately three to four years to complete. In order to determine the net present value of the asset retirement obligation, staff have estimated that, subject to financing being received from the Province, work will not commence for several years. It is estimated that the work may commence in 2016. The cost of capital and the rate of inflation estimated over the course of the calculation was 5.059% and 3%, respectively. This results in a net present value of $ 22,127,131 as at October 31, 2011. This is an increase of $ 446,406 from 2010 and has been recorded in the statement of operations.

Two additional studies were completed during the year ended October 31, 2010 which identified an additional liability involved with the "stabilization and mothball" process. The first report known as the Hatch group study identified an additional $ 6,305,000 for external/infrastructure work that is required. The second study was completed by the Quartek group which identified an additional $ 1,260,000 related to additional costs to stabilize the roofs of the buildings. Together these two reports equal an increase of $ 7,565,000. As previously mentioned it is estimated this work will not commence until 2016 and correspondingly another calculation for the net present value of this additional liability was performed using a cost of capital of 5.059% and inflation rate of 2% respectively. This results in net present value of $ 6,347,599 as at October 31, 2011 for this portion of the liability. This is an increase of $ 188,410 from 2010 and has also been recorded in the statement of operations.

	2011	2010
	(in thousands of dollars)	
Power Plant stabilization obligation		
Beginning of year	$ 26,727	$ 21,243
Current year increase in present value of original obligation	635	437
Present value of additional obligation related to additional sites		6,159
Actual work performed during year	(503)	(1,112)
Net increase in Power Plant stabilization obligation	132	5,484
End of year	$ 26,859	$ 26,727

A capital asset has not been recorded for these properties as there is an impairment in their value, which has been documented in the various studies carried out to date.

As at October 31, 2009, the Commission had received $ 1,550,000 in funding from the Ministry of Tourism to assist in the "stabilizing and mothball" process. Approximately $ 226,000 of this funding remains for use in 2012 and beyond.

The Commission has incurred annual costs related to maintenance and security for all sites and has recorded them in the statement of operations and are included in the maintenance expense.

9. Tangible capital assets

	Cost	Accumulated Depreciation	2011 Net Book Value	2010 Net Book Value
			(in thousands of dollars)	
Land	$ 14,359		$ 14,359	$ 14,359
Land improvements	17,135		17,135	17,135
Buildings, roadways and structures	202,191	$ 87,349	114,842	109,358
Equipment and furnishings	41,523	35,944	5,579	6,355
Vehicles	9,169	8,071	1,098	1,194
	284,377	131,364	153,013	148,401
Capital works in progress	565		565	1,969
	$ 284,942	$ 131,364	$ 153,578	$ 150,370
Equipment under capital lease included above	$ 69	$ 28	$ 41	$ 48

10. Accumulated surplus

	2011	2010
	(in thousands of dollars)	
Operating surplus	$ 2,941	$ 6,414
Investment in tangible capital assets	144,676	149,021
Unfunded		
Long term debt	(34,956)	(36,346)
Post-employment benefits	(3,869)	(3,759)
Power Plant stabilization obligation	(26,859)	(26,727)
	(65,684)	(66,832)
Accumulated surplus	$ 81,933	$ 88,603

Surplus funds

Pursuant to Section 16(2) of the Niagara Parks Act, any surplus moneys shall, on the order of the Lieutenant Governor in Council, be paid to the Minister of Finance and shall form part of the consolidated revenue fund.

11. Credit facilities

The credit facilities, which have a maximum borrowing capacity of $ 15,000,000, provide for two types of loans. There is a variable rate option which varies with the Canadian Imperial Bank of Commerce prime rate and there is a fixed rate operating loan facility available with a maximum term not to exceed 364 days at rates which are set relative to banker's acceptance rates. These credit facilities are unsecured and expire on October 31, 2014. As at October 31, 2011, $ Nil has been drawn upon for all credit facilities (2010 – $ Nil).

12. Commitments

The Commission has committed to approximately $ 600,000 in capital works projects in the next year.

The Commission leases vehicles, equipment and premises under operating leases expiring in 2012. The total obligation under operating leases amounts to approximately $ 220,000.

13. Contingencies

The Commission is in litigation pertaining to certain claims for which the likelihood of loss is not determinable and the amount not reasonably estimable. Accordingly, no provision for these claims is reflected in the financial statements.

14. Interest expense – net

	Budget 2011 (Unaudited)	Actual 2011 (in thousands of dollars)	Actual 2010
Interest revenue	$ (38)	$ (25)	$ (44)
Loan interest expense	1,869	1,889	1,922
	$ 1,831	$ 1,864	$ 1,878

15. Amortization of tangible capital assets

	Budget 2011 (Unaudited)	Actual 2011 (in thousands of dollars)	Actual 2010
Amortization of income producing assets	$ 3,841	$ 4,031	$ 4,244
Amortization of non-income producing assets	3,399	3,252	3,257
	$ 7,240	$ 7,283	$ 7,501

16. Statement of cash flows

	2011	2010
	(in thousands of dollars)	
Changes in working capital components include		
Accounts receivable	$ (597)	$ (1,172)
Inventories	789	128
Accounts payable and accrued payroll	240	477
Deferred revenue	(615)	(1,285)
Prepaid expenses	332	(101)
	$ 149	$ (1,953)
Interest received	$ 25	$ 44
Interest paid	$ 1,885	$ 1,721

17. Acquisition of tangible capital assets

During the year, tangible capital assets were acquired at an aggregate cost of $ 10,491,000 (2010 - $ 3,462,000) of which $ Nil (2010 - $ Nil) was acquired by means of capital leases and other non-cash acquisitions. Cash payments of $ 10,491,000 (2010 - $ 3,462,000) were made to purchase tangible capital assets. Stimulus grant funding of $ 7,590,287 and $ 535,921 from the Fort Erie land proceeds totalling $ 8,126,208 were used to fund the tangible capital asset additions related to the renovation of the Heritage Fort Erie, McFarland House and Laura Secord Homestead sites.

18. Financial instruments and risk management

Fair value

Fair value information with respect to long term financing has been omitted because it is not practicable to determine fair value with sufficient reliability.

The fair value of the post-employment termination benefit was determined using an actuarial valuation based on information presented in Note 6 to the financial statements.

Credit risk

The Commission is exposed to a credit risk by its customers. However, because of the large number of customers, credit risk concentration is reduced to a minimum.

Currency risk

The Commission has cash of $ 248,964 that is denominated in U.S. dollars. These funds have been converted to the Canadian equivalent at the rate of $ 1 U.S. equals $ .987 Canadian. The Commission realizes approximately 14.4% (2010 – 13.26%) of its sales in foreign currency. Consequently, some assets and revenues are exposed to foreign exchange fluctuations.

18. Financial instruments and risk management (continued)

Cash flow risk

The Commission has variable rate bank overdraft facilities bearing interest which varies with the prime interest rate. Accordingly, the Commission is exposed to cash flow risks relating to potential fluctuations in market interest rates.

19. Comparative figures

Certain 2010 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2011.

The Niagara Parks Commission
Schedule of Tangible Capital Assets
For the Year Ended October 31, 2011
(in thousands of dollars)

	Land	Land Improvements	Buildings, Roadways and Structures	Equipment and Furnishings	Vehicles	Capital Works in Progress	**2011**	2010
Cost								
Beginning of year	$ 14,359	$ 17,135	$ 191,385	$ 40,720	$ 9,329	$ 1,969	**$ 274,897**	$ 271,576
Add additions				843	246	9,402	**10,491**	3,462
Less disposals				(40)	(406)		**(446)**	(141)
Transfers of capital works in progress			10,806			(10,806)		
End of year	14,359	17,135	202,191	41,523	9,169	565	**284,942**	274,897
Accumulated amortization								
Beginning of year			82,027	34,365	8,135		**124,527**	117,167
Add amortization			5,322	1,619	342		**7,283**	7,501
Less disposals				(40)	(406)		**(446)**	(141)
End of year			87,349	35,944	8,071		**131,364**	124,527
Net book value	$ 14,359	$ 17,135	$ 114,842	$ 5,579	$ 1,098	$ 565	**$ 153,578**	$ 150,370

The Niagara Parks Commission
Schedule of Expenses by Object
For the Year Ended October 31, 2011
(in thousands of dollars)

	Budget 2011 (Unaudited)	Actual 2011	Actual 2010 (As restated) (Note 2)
Cost of goods sold	$ 10,752	$ 9,917	$ 10,691
Salaries, wages and benefits	40,526	39,380	38,548
Sales and other	1,301	1,006	1,274
Equipment repairs and maintenance	4,673	4,360	4,658
Materials and supplies	2,323	1,840	2,079
Advertising and promotion	2,335	2,000	2,266
Facilities	5,899	5,632	5,337
Administrative	1,359	1,978	1,354
	$ 69,168	$ 66,113	$ 66,207